



California Payroll Conference 2015
Your Passport to Payroll Excellence

An Introduction to Payroll in **Canada**

Presented by

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& Marcela McCarthy, CPP
Director of Payroll Services
McKesson Corp.

October 8, 2015
1:45–3:15 pm

An Introduction to Payroll in Canada



1. Canada
2. The Government Agencies
3. The Hiring Process
4. Employment Standards
5. Employee vs. Independent Contractor
6. Determining the Province of Employment
7. Pay Calculations & Deductions
8. Government Remittances
9. Preparation for Year End



10 PROVINCES
3 TERRITORIES
(over 190 tax jurisdictions)



Canadian Government Agencies



Canada Revenue
Agency



Service Canada

Statistics Canada

Canada Labour Code

R.S.C., 1985, c. L-2

Canadian Government Agencies Cont.



- Provincial and territorial employment standards

ie.



MINISTRY OF LABOUR



Commission
des normes
du travail



- Workers' Compensation Boards

ie.



Hiring in Canada

- ☐ Name and address
- ☐ Social insurance number
- ☐ Regular hours of work
- ☐ Birth date
- ☐ Date of hire/start date
- ☐ Wage rate or salary
- ☐ Federal TD1 Form
- ☐ Provincial TD1 Form
- ☐ Work location
- ☐ Benefits information





Employment Standards

- Minimum age
- Minimum wage
- Hours of work
- Leave information
- Overtime
- Records retention
- Timing of payments
- Pay advice format and content
- Statutory holidays
- Vacation time and pay
- Terminations



Some Key Differences Between the US and Canada

- ▶ Statutory (general and public) Holidays
- ▶ Vacation time
- ▶ Vacation pay (no use it or lose it)
- ▶ Terminations (no at will employment)
 - Pay in lieu or notice period
 - Severance pay
 - Retiring allowance
 - Record of employment–required

Statutory Holidays

(also called general holidays and public holidays in legislation)



- Eligibility for entitlement (unique per province, all FT/PT)
 - Ie. BC – must have been employed for at least 30 days and worked 15 of them
 - Ie. ON & QC – must have worked the last regularly scheduled day of work before and after the holiday
- Stat holiday pay
 - Ie. BC, average day's pay, in
 - Ie. ON & QC 4 weeks/20
- Stat holiday worked – 1.5 x regular rate, except
 - Ie. Newfoundland & Laborador, 2 x reg rate
 - Ie. BC -1.5 X for first 12 hours, 2X reg rate after that

2016 Canadian Statutory Holidays



	Jan 1 - New Year's Day	Feb 8 - Family Day (BC)	Feb 15 - Family Day	Mar 25 - Good Friday	May 23 - Victoria Day	Jun 21 - Nat'l Aboriginal Day	Jun 24 - St. Jean Baptiste Day	Jul 1 - Canada Day	Jul 9 - Nunavut Day	Aug 1 - Civic holiday	Aug 15 - Discovery Day	Sep 5 - Labour Day	Oct 10 - Thanksgiving	Nov 11 - Remembrance Day	Dec 25 - Christmas	Dec 26 - Boxing Day
Alberta								####								
British Columbia								#								
Manitoba			*										§			
New Brunswick								##								
Newfoundland & Labrador																
Northwest Territories																
Nova Scotia			**										§			
Nunavut																
Ontario								####								
Prince Edward Island			***													
Québec				#	†											
Saskatchewan								###								
Yukon																
Federal																

Good Friday or Easter Monday

§ Regulated by a provincial Act

*Louis Riel Day †National Patriots Day

#BC Day

**Heritage Day

##NB Day

***Islander Day

###Sask. Day

General Holiday

Compliments of:



Some provinces maintain statutory holidays and general holidays. Statutory holidays are those days legislated by each jurisdiction as paid holidays. General holidays are certain days legislated by a province to be paid holidays, and may have differing rules for differing industries, such as the retail industry. Many of the statutory holidays are also designated as general holidays in each province.



Vacation Time

- In most cases, employees start at minimum 2 weeks (except SK & Federal)
- Generally it is accrued the year before they are entitled to take it
- In most jurisdictions, pay out of vacation time is discouraged/non-compliant – employees must take the time off



Vacation Pay

- Generally. . .
 - 2 weeks = 4%
 - 3 weeks = 6%
 - 4 weeks = 8%
- Vacation pay is accrued on employee “vacationable” earnings
- Where vacation pay is earned on non-regular earnings, this must be paid out per employment standards
- Vacation pay is owed upon termination
 - Except in BC if employed for less than 5 days



Termination

- Each jurisdiction legislates minimum required notice of termination or pay in lieu
- Comply with timing of final pay requirements
- Severance is legislated in Ontario and Federally, otherwise CRA calls it Retirement Allowance
- Calculate outstanding vacation dollars owing
- Reconcile taxable benefits
- Record of Employment must be issued when there is an interruption of earnings. (this includes leaves!)



Service
Canada

THE GUIDE - HOW TO COMPLETE THE RECORD OF EMPLOYMENT
PROVIDES DETAILED INSTRUCTIONS.

Protected when completed - B



RECORD OF EMPLOYMENT (ROE)

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4 EMPLOYER'S NAME AND ADDRESS Division 27 355 North River Rd 2nd Floor Ottawa, ON Canada				5 CRA BUSINESS NUMBER (BN) 000 000 000R00000																																																																																																																			
7 POSTAL CODE X1X1X1				6 PAY PERIOD TYPE B - Bi-weekly																																																																																																																			
9 EMPLOYEE'S NAME AND ADDRESS Employee Name 123 Way St Ottawa, ON X1X1X1				8 SOCIAL INSURANCE NO. 000-000-000																																																																																																																			
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HR 1520 (24-06) A
Version 8.8

Canada

Page 2 contains important information.

Service Canada delivers Human Resources and Skills Development Canada programs and services for the Government of Canada.

Ce formulaire est également disponible en français.



Termination Cont.

- Reports insurable earnings and insurable hours to service Canada for 53 weeks
- Determines the person's eligibility for employment benefit
- Filing by ROEWeb– due by 5 calendar days after the next pay period
- Filing by paper – due by 5 calendar days after the interruption of earnings or employer becoming aware of the interruption of earnings



Calculation for Record of Employment Purposes

Insurable Earnings

- Non Cash taxable benefits are not Insurable
- Retirement Allowances are not Insurable
- Self employment – and related parties are not insurable



Calculation for Record of Employment Purposes

Insurable Hours

- Hours worked and paid
- Deemed hours
- Paid leave hours



Employees vs. Independent Contractor

Criteria used to define status:

- Subordination in the performance of work
- Financial or economic criteria
- Ownership of tools
- Integration of tasks carried out by worker
- Specific result of the work
- Attitude of the parties wrt the relationship



RQ Publications:

IN-301-V-Employee or Self-Employed Person

CRA Publications:

RC4110 - Employee or Self Employed?

CPT₁ - Application for ruling

Privacy Legislation



Every province and territory has privacy legislation governing the collection, use and disclosure of personal information held by government agencies. These acts provide individuals with a general right to access and correct their personal information.

~Office of the Privacy Commissioner of Canada website.



Province of Employment Determination

- Where is the employee required to report for work to your place of business?
- Where is the province or territory where your business is located and from where you pay your employee's salary?





[Individuals and families](#)

[Businesses](#)

[Charities and giving](#)

[Representatives](#)

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Payroll Deductions Online Calculator

[What is new for CPP?](#)

How to use PDOC for

[Salary Calculation](#)

[Commission Calculation](#)

[Pension Calculation](#)

[Verify CPP Contributions and EI Premiums](#)

[FAQ](#)

Payroll Deductions Online Calculator

To calculate provincial payroll deductions for Quebec, download the WINRAS program from [Revenu Québec](#).

Update: The October 1, 2015 edition of the Payroll Deductions Online Calculator (PDOC) is now available.

* Select the type of calculation *(required)*

- ☒ Salary
- ☐ Commission (Use only if the employee incurs expenses and Form TD1X has been completed)
- ☐ Pension
- ☐ Verify CPP contributions and EI premiums

[Next](#)

Date modified: 2015-09-10

► <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>

Salary calculation: Result

Employee's name: **Sally May**

Employer's name: **Canadian Employer**

Pay period frequency: **Biweekly (26 pay periods a year)**

Date the employee is paid: **2015-10-09 (YYYY-MM-DD)**

Province of employment: **Ontario**

Federal amount from TD1: **Minimum - 11,327.00 (Claim code 1)**

Provincial amount from TD1: **Minimum - 9,863.00 (Claim Code 1)**

Salary or wages income	2,000.00	
Total cash income		2,000.00
Taxable income for the pay period	2,000.00	
Pensionable earnings for the pay period	2,000.00	
Insurable earnings for the pay period	2,000.00	
Federal tax deduction	228.47	
Provincial tax deduction	115.91	
Total tax deductions	344.38	
CPP deductions	92.34	
EI deductions	37.60	
Total deductions		474.32
Net amount		1,525.68



3 Types of Deductions

- Statutory
- Mandatory
- Voluntary



Statutory Deductions

- Canada/ Québec Pension Plan (CPP/QPP)
- Employment Insurance(EI) + Québec Parental Insurance Plan (QPIP in QC)
- Federal and Provincial Income Taxes



Mandatory Deductions

- Legal (Garnishees, Family Support, Income Taxes)
- Company compulsory – ie Benefit Plan Contributions
- Union contract



Voluntary Deductions

- Registered Retirement Savings Plans
- Employee Loan Repayments
- Voluntary Group Life
- Employee Share Purchase Plans
- Computer Purchase Plans
- Canada Savings Bonds
- Charitable Donations



Calculating Canada Pension Plan Contributions (CPP/QPP)

FOR 2015	
Year's Maximum Pensionable Earnings	\$ 53,600.00
Year's Basic Exemption (same for everyone)	\$ 3,500.00
Contributory Earnings	\$ 50,100.00
C/QPP Rate	4.95% / 5.25%
C/QPP Year's Maximum Employ ^{EE} Contribution	\$ 2,479.95 / 2630.25
C/QPP Year's Maximum Employ ^{ER} Contribution	\$ 2,479.95 / 2630.25



CPP Basic Exemption

Pay Period Type	Exemption
Monthly	\$ 291.66
Semi-monthly	\$ 145.83
Biweekly (26)	\$ 134.61
Biweekly (27)	\$ 129.62
Weekly (52)	\$ 67.30
Weekly (53)	\$ 66.03

(annual exemption/ # pay periods)



CPP Contributions

(applies to everyone outside QC)

Contributions must be deducted if an employee:

- Has pensionable earnings
- Has reached age 18 and is under age 70.
- Is between the ages of 60 and 70*, and receiving CPP/QPP retirement pension. (*After 65 an employee can submit a CPT30 form to the employer to elect **to stop deductions**)
- Is not receiving disability benefits from the CPP/QPP plan



QPP Contributions

(applies to everyone in QC)

Contributions must be deducted if an employee:

- Has pensionable earnings
- Has reached age 18 (no age cap)
- Is not receiving a disability pension from the CPP/QPP plan

Employment Insurance (EI), Québec EI & Québec Parental Insurance Plan



FOR 2015	FEDERAL EI	QUEBEC EI	QPIP
Year's Max Insurable Earnings	\$ 49,500.00	\$49,500.00	\$70,000.00
Year's Max Employ ^{EE} Contributions	\$ 930.60	762.30	391.30
EI/QPIP Rate	1.88%	1.54%	0.559%
Employer rate EI 1.4 x Employee Rate	2.632%	2.156%	–
Employer rate – QPIP	–	–	0.782%
Year's Max Employ ^{ER} Contributions	\$ 1,302.84**	\$1,067.22**	\$547.40



****Employment Insurance Premium Reduction**

- Employer premium rate of 1.4 x employee contribution can be reduced if there is a short term disability program in place that meets certain criteria – including sharing benefit reduction savings with employee.
- Will require a second business number to report those employees on premium reduction plan.
- Plan no longer needs to be approved annually by HRSDC



Québec Parental Insurance Plan (QPIP)

- provides temporary financial maternity, paternity, parental, and adoption benefits to eligible Québec residents who take time off work and have an interruption of earnings.
- For Québec residents only, QPIP coverage only applies to the above benefits rather than EI. EI continues to cover other benefits such as regular, sickness and compassionate care.



Special Taxing Considerations

Bonus method

Bonus pay

Pay in lieu of notice

Vacation pay (no time taken)

Retroactive pay method

A variation of the bonus method

Lump sum Tax rates

Retiring allowance

Severance

Commission Method

Depends on commissions paid with or without expenses incurred



Non-Taxable Items:

- Registered pension plan contributions
- Employee RRSP contributions
- Exemptions allowed by CRA, RQ (Fed and Prov)
- Union dues - except QC



Sample Income Tax Rates

Federal – effective Jan 2015

FROM	TO	RATE
\$ 0	\$ 44,700.00	15%
\$ 44,701.01	\$ 89,401.00	22%
\$ 89,401.01	\$ 138,586.00	26%
\$ 138,586.01	and over	29%

Provincial BC – effective Jan 2015

FROM	TO	RATE
\$ 0	\$ 37,869.00	5.06%
\$ 37,869.01	\$ 75,740.00	7.7%
\$ 75,740.01	\$ 86,958.00	10.5%
\$ 86,958.01	\$ 105,592.00	12.29%
\$105,592.01	\$ 151,050.00	14.7%
\$151,050.01	and over	16.8%



Net Pay Determination

Gross Earnings

-less

Statutory deductions

Non-statutory deductions

= NET PAY

Salary calculation: Employer remittance summary

Employee's name: **Sally May**

Employer's name: **Canadian Employer**

Pay period frequency: **Biweekly (26 pay periods a year)**

Date the employee is paid: **2015-10-09 (YYYY-MM-DD)**

Province of employment: **Ontario**

Canada Pension Plan (CPP)		
Employee CPP contributions	92.34	
Employer CPP contributions	92.34	
Subtotal of Canada Pension Plan (CPP)		184.68
Employment Insurance (EI)		
Employee EI contributions	37.60	
Employer EI contributions	52.64	
Subtotal of Employment Insurance (EI)		90.24
Tax deductions		344.38
For this calculation, remit this amount		619.30



CRA & RQ Remittance Frequency

Weekly:

- 1st to 7th** - due three business days after the 7th
- 8th to 14th** - due three business days after the 14th
- 15th to 21st** - due three business days after the 22nd
- 22nd to end** - due three business days after the last day of the month

Semi-monthly:

- 1st to 15th** - due on 25th of month
- 16th to last day** - due on 10th of month following

Monthly - due on 15th of month following

Quarterly - due on 15th of month following the end of the Quarter



Other Employer Costs:

Vacation accrual ie 2 weeks is $4\% = \$80.00$

WCB ie. assume rate of $2\% = \$40.00$



Additional Taxing Considerations

- Employer Education taxes - MB,NL,QC
 - Employer Health Taxes - MB,NL,ON,QC
 - Employer Training Tax – QC
 - Employer Taxes - NT/Nunavut
-
- Employee Medical Premiums - BC



In Preparation for Year End

- Expect 2016 CRA & RQ rates early to mid-Dec
- Expect WCB rate changes and maximum assessable earnings late Nov/Dec
- If you have a reduced EI rate –notify HRSDC if there are any changes
- Watch for CRA/RQ remittance frequency change late Nov./Dec.



Some Year End Processes to Consider

- Process any adjustments -Taxable benefits, pension adjustments, manual cheques
- Update employee records-address, tax exemptions (if any changes)
- Reconcile your tax (CRA/RQ) account
- Reconcile your WCB account



Year End Filing and Reporting

- File WCB annual return – due date varies Feb-mid Mar.
- File applicable provincial tax authority filings
- File the following by Feb 28th:
 - T4/ T4A slip for employees
 - RL 1/ RL 2 slip for employees
 - You **must** file information returns by Internet if you file more than 50 information returns (slips) for a calendar year.
- T4 Summary for CRA
- RLZ-1.S-V Summary for RQ

2015 Canadian Payroll Information



Employment Insurance - except Québec	EI Rate	Annual Maximum
Insurable Earnings	--	\$49,500.00
Premium/Contribution - Employee	1.88%	\$930.60
Premium/Contribution - Employer	2.632%	\$1,302.84

Employment Insurance - Québec	EI Rate	EI Annual Maximum	QPIP Rate	QPIP Annual Maximum
Insurable Earnings	--	\$49,500.00	--	\$70,000
Premium/Contribution - Employee	1.54%	\$762.30	0.559%	\$391.30
Premium/Contribution - Employer	2.156%	\$1,067.22	0.782%	\$547.40

Canada/Québec Pension Plan	CPP	QPP
Annual Maximum Pensionable Earnings	\$53,600	\$53,600
Annual Basic Exemption	\$3,500	\$3,500
Maximum Contributory Earnings	\$50,100	\$50,100
Contribution rate (%)	4.95 %	5.25 %
Maximum Contribution - Employee	\$2,479.95	\$2,630.25
Maximum Contribution - Employer	\$2,479.95	\$2,630.25

Pension Adjustment Limits	Amount
Defined Contribution Plan	\$25,370
Deferred Profit Sharing Plan Annual Contribution	\$12,685
Defined Benefit Plan	\$24,770
Registered Retirement Savings Plan Annual Contribution	\$24,930

Worker's Compensation: Province	Maximum Assessable Earnings
Alberta	\$95,300
British Columbia	\$78,600
Manitoba	\$121,000
New Brunswick	\$60,900
Newfoundland and Labrador	\$61,615
Northwest Territories	\$86,000
Nova Scotia	\$56,800
Nunavut	\$86,000
Ontario	\$85,200
Prince Edward Island	\$52,100
Québec	\$70,000
Saskatchewan	\$65,130
Yukon	\$84,837

Federal and Provincial TD1	Basic Exemption
Alberta	\$18,214
British Columbia	\$9,938
Manitoba	\$9,134
New Brunswick	\$9,633
Newfoundland and Labrador	\$8,767
Northwest Territories	\$13,900
Nova Scotia	\$8,481
Nunavut	\$12,781
Ontario	\$9,863
Prince Edward Island	\$7,708
Québec	\$11,425
Saskatchewan	\$15,639
Yukon	\$11,327
Federal	\$11,327

Compliments of:





Some Useful Web Sites

Canada Revenue Agency – www.cra.gc.ca

(Business registration, Rates, GST/HST)

Revenu Québec– www.revenu.gouv.qc.ca/eng/ministere/index.asp

HRSDC (EI) – www.hrsdc.gc.ca

Service Canada – www.servicecanada.gc.ca

Privacy Commissioner – www.privcom.gc.ca

**WCB – www.awcbc.org/en/linkstoworkerscompensationboardscommissions.asp
(links to all Provinces)**

Canadian Payroll Association (CPA) – www.payroll.ca

American Payroll Association (APA) - www.americanpayroll.org

Some Terminology



Payroll Account Number – the employer’s “account number” with the CRA.
Used to remit statutory deductions, tax forms and ROE

US equivalent = Federal Employer Identification Number

T4 – Reports to the CRA and the employee all relevant income and deduction information for the taxation year.

US equivalent = W2 Wage and Tax Statement

RL-1 – Reports to the RQ and the employee all relevant income and deduction information for the taxation year.

T4A – Reports to the CRA for other Taxable Income – (including Independent Contractors)

TD1 and TP-1015.3-V – federal and provincial forms for employees to claim credit amounts and reduce tax at source

US equivalent = W4

P.I.E.R report – year end variances

Some Terminology cont.



PD7A / PD7A–RB – remittance forms for CRA submitted with payroll remittances. PD7A is used by regular remitters, PD&A–RB is used by accelerated remitters.

US equivalent = Form 8109 – Federal Tax Deposit Coupon

ROE – Record of employment: an HRSDC form completed by the employer when an employee has an interruption of earnings. Used by employee to claim employment insurance or Quebec Parental Insurance Plan benefits.

US equivalent = none

RRSP – Registered retirement savings plan: a plan that an employee contributes to, to save money for retirement. Contributions and interest earned are tax exempt until withdrawn. Some employers provide a match. Contributions are subject to an annual maximum.

US equivalent = 401(k) plan

PCP – Payroll Compliance Practitioner

CPM – Certified Payroll Manager



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Vice President

& Marcela McCarthy, CPP
Director of Payroll Services



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Thank you and please remember to complete your evaluation for this session.